RURAL TELECOMMUNICATIONS GROUP

the voice of rural wireless telecommunications providers

1019 Nineteenth Street, NW, Suite 500
Washington, DC 20036

EX PARTE OR LATE FILED

October 9, 1998

Dan Phythyon, Chief
Wireless Telecommunications Bureau
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

***Ex Parte* Communication**

Re: In the Matter of Telephone Number Portability, CC Docket No. 95-116

Dear Mr. Phythyon:

The Rural Telecommunications Group ("RTG") hereby submits this *ex parte* communication pursuant to Section 1.1206(a)(2) of the Federal Communications Commission's ("FCC" or "Commission") rules in response to a specific request for information from the Wireless Telecommunications Bureau ("WTB") concerning the financial impact of the Commission's number portability mandate on rural wireless providers.

Originally, the information disclosed in the attached Response was to be delivered through an *ex parte* presentation scheduled for Thursday, September 18, 1998 before Ms. Janine Poltieneri, Associate Bureau Chief; Mr. Steven Weingarten, Chief, Commercial Wireless Division; Mr. Paul D'Ari, Legal Advisor to Mr. Weingarten; Ms. Janice Jamison, WTB staff attorney; Mr. Clint Odom, WTB staff attorney; and Ms. Charlene Lagerwerff, WTB engineer. The meeting was initiated at the behest of the WTB one week earlier, on September 11, 1998. The meeting was to include a conference call between WTB staff, RTG's counsel and the executive officers of three rural wireless telecommunications providers. The meeting never took place, however. It was canceled abruptly on the evening of September 17; notification of the cancellation was transmitted via a voice mail message left after business hours. WTB staff indicated that the meeting had to be canceled due to the "8th floor seeking to reevaluate wireless number portability issues." To date, the meeting has not been rescheduled.

While RTG is sympathetic to the enormous demands placed on the Commission's already strained resources, we would like the Commission to understand that small law firms and rural wireless telecommunications carriers have limited time and resources as well. In preparation for the meeting, RTG's counsel, Bennet & Bennet, PLLC, together with three of RTG's member companies, spent many hours gathering the information disclosed herein. Furthermore, the executive officers of these three rural wireless carriers made themselves

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Tel. 202/530-5798 fax 202/530-9805
e-mail: rtg@bennetlaw.com

available to the WTB on short notice, at the expense of other pressing business priorities, in response to a *WTB-initiated* request, only to have the WTB cancel the meeting at the eleventh hour. The fact that the meeting *may* be rescheduled at some future date is of little consolation to RTG, who would then be required to expend additional time and resources in preparation of a future meeting. The WTB's actions not only resulted in a waste of scarce resources, they show a lack of common courtesy that sends a distressing message to the industry whom the Commission is charged with regulating.

In light of the cancellation of the *ex parte* meeting, and in response to the WTB's request for information, RTG, through three of its member companies (Leaco Rural Telephone Cooperative, Brazos Cellular Communications Ltd., and Cellular Mobile Systems of St. Cloud, LLP), hereby submits the attached Response which provides information concerning the financial impact of applying the Commission's number portability requirements to rural wireless providers.

Should you wish to discuss this matter or the wireless number portability issues further, please let me know.

Sincerely,

Caressa D. Bennet
Regulatory Counsel

Attachment

cc: Chairman William E. Kennard
Commissioner Susan Ness
Commissioner Harold Furchtgott-Roth
Commissioner Gloria Tristani
Commissioner Michael Powell
Janine Poltieneri
Steven Weingarten
Paul D'Ari
Janice Jamison
Clint Odom
Charlene Lagerwerff

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RESPONSE TO REQUEST FOR INFORMATION

The cost to rural wireless providers of implementing wireless number portability ("WNP") is simply staggering. RTG estimates that, in total, the more than 120 rural cellular and Personal Communications Service ("PCS") providers may be required to expend roughly $100 million (or approximately $833,000 per company!) in order to meet the Commission's mandates. It should be noted, however, that the $100 million figure represents only the *non-recurring* costs of implementing WNP; it does not include the *recurring* costs of providing WNP on an on-going basis, which are also sizeable. Non-recurring costs of implementing WNP may include, but are not limited to: upgrades to software (including billing software, software needed for MIN/MDN separation, and software needed to support roaming); changes to call processing equipment; the shared costs of building the regional databases, as well as the the shared recurring costs of uploading and downloading to and from those databases; and perhaps, the purchase of a signaling control point (SCP) in order to curb costs associated with database "dips".

Naturally, costs may vary from carrier to carrier, depending upon the configuration of each carrier's network and the WNP solution a carrier chooses to implement. For instance, some carriers may need to purchase a SCP, at an approximate cost of $500,000, while others may not need to do so. Indeed, those carriers that choose to pay a third-party provider to perform the necessary database "dips" may not need such equipment. In those cases, however, any non-recurring cost savings are lost through the recurring cost of paying a third-party provider to perform such services.

The recurring costs of providing WNP are equally significant. Again, costs may vary from carrier to carrier, but generally will include the following: either the cost of a third-party provider to perform the database query function, or the carrier's incremental cost of providing the service on its own; the cost of Signaling System Seven (SS7) links to the Number Portability Administration Center database (NPAC)/Local Service Management System (LSMS); the shared recurring costs associated with operating and maintaining the regional NPAC/SMS; customer service costs associated with reprogramming wireless handsets; and general staffing and administration costs. The list is simply representative of the scope of recurring costs; it is not meant to be exhaustive.

To better illustrate the costs that may be incurred by individual rural wireless providers, RTG examined two possible scenarios, both based on cost estimates and other information provided by RTG's members. Under the first scenario, the rural wireless provider implements its own WNP solution; under the second scenario, the rural wireless provider implements a third-party provider solution.

Tel. 202/530-5798 fax 202/530-9805

e-mail: rtg@bennetlaw.com

Under the first scenario, a rural wireless provider may need to purchase a SCP ($500,000) and hire a full-time employee to administer it's WNP program ($50,000 per year). Spread over five years, these costs alone amount to $150,000 per year. Additionally, the carrier will need to purchase new software, which at a *minimum*, will cost another $250,000,[1] and purchase two SS7 "A-links" to the regional database ($2,000 per month per link). These costs are in addition to the incremental cost of providing the service, not to mention the customer service costs, which RTG estimates to be $7,500 per month, or $90,000 per year, which averages 25 percent and upward of RTG member companies' customer service budget. All told, these costs are well in excess of $300,000 per year for the first five years. Moreover, that figure does not even represent the carrier's shared recurring and non-recurring costs associated with the regional database.

Under the second scenario, a rural wireless provider may pay a third-party provider anywhere form $0.003 to $0.02 per call for each database dip. It is important to note that, as a necessary but wasteful consequence of the location routing number (LRN) architecture, database dips will be performed by the third-party provider not merely to determine the LRN for the *ported* telephone number, but for all 10,000 telephone numbers within the NXX of the ported number, whether the other 9,999 are ported or not. Based upon a million calls per month, this unfortunate consequence will cost a rural wireless provider anywhere from $36,000 to $240,000 per year. RTG's members have determined that, on average, the cost of data dips alone may reduce cash flow by 6 to 12 percent, and reduce profits by 8 to 15 percent.

Additionally, carriers paying a third-party provider for performing database queries will still incur costs associated with purchasing software and SS7 links, customer service costs, and the carrier's share of recurring and non-recurring costs associated with the regional database. Under this scenario, ***recurring** costs alone* (*i.e.* data dips, customer service, and SS7 links) would range anywhere from $174,000 to $278,000 *per year*, not including the recurring costs associated with the regional database. When the non-recurring costs associated with the purchase of software are added to that total, the numbers become truly mind-boggling.

Moreover, the costs of implementing and maintaining WNP capable of supporting roaming under either scenario will result in steep reductions in revenue for many rural wireless providers. Many of RTG's clients derive a substantial portion of their revenue from subscribers roaming between larger metropolitan areas. These members estimate that if the Commission continues to require WNP which will support roaming, the resulting cost increase will result in a reduction in net revenue from roaming by as much as 25 percent.

Clearly, rural wireless telecommunications providers simply cannot absorb the costs of implementing WNP. To add insult to injury, the Commission's cost recovery rules do not allow providers to recover many of the costs associated with implementing WNP. Thus, carriers will be forced to pass those costs on to their subscribers in the form of higher rates, which is antithetical to the competition promised by WNP. The fact is that the wireless marketplace is already subject

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[1] It should be noted that the cost of software necessary to recognize the MIN/MDN separation is unknown at this time and, as such, is not included in the cost estimates provided herein. Those costs are, however, presumed to be significant.

to robust competition. At a time when wireless rates are starting to fall to approximately half of what they were only one year ago, foisting number portability requirements on wireless providers would actually have the unintended consequence of halting the level of competition that the Commission, up to this point, has been so successful in fostering. Indeed, not only will wireless rates rise as a result of WNP, but mandating WNP will also detract from the upgrades and build-outs now taking place in the respective cellular and PCS segments of the market.

The only way that WNP even remotely begins to make sense economically is if wireless providers can get more subscribers on their systems in order to spread out the costs of implementing and maintaining WNP. While wireline carriers have 98 percent of the customer base over which to spread number portability costs, wireless providers have roughly 15 percent of the available customer base. Wireless providers, especially small rural wireless providers, will have to raise rates in order to cover the costs of implementing number portability which will only serve to drive customers away. The scenario is a classic example of a "Catch 22"

While number portability makes sense in the wireline segment of the industry, porting between wireless providers makes little sense. Number portability was intended to promote competition by reducing subscribers' reluctance to change their local exchange provider for fear of losing their telephone number. However, many wireless subscribers do not even know their own wireless phone number, much less care to keep it when changing providers. Further, wireless numbers generally are not printed on business cards or letterhead. There is simply no "good will" built-up in one's wireless telephone number.

The bottom line is that number portability is anathema to competition in the wireless industry, especially in the case of small rural wireless providers. The purported benefits of WNP simply do not outweigh its burdens.

For the foregoing reasons, RTG strongly urges the Commission to reconsider its decision to require rural wireless providers to implement number portability.